



Economic Development Objectives & Policies

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ECONOMIC DEVELOPMENT OBJECTIVES AND POLICIES

PREAMBLE

Economic development is an issue of the public interest, ranging from sustaining employment and tax base growth to the effective management of public resources. Working together with the private sector, local governments and public agencies must encourage rational and balanced economic growth. This element of the Regional Plan represents the region's first opportunity to undertake this task. It provides a statement of the primary objectives and guiding policies for economic development in the Bay Area.

Maintaining the vitality of the Bay Area's economy and increasing jobs and economic opportunities for Bay Area residents and communities are fundamental challenges facing the region. These challenges must be met through strengthening and diversifying the region's economy and sustaining high growth industries, encouraging appropriate locations for new development, bringing the benefits of economic development to bypassed communities and individuals, and providing housing to match the needs of the region's working households.

The Bay Area's increasing resident labor force requires more jobs. More entry level positions and opportunities for upward mobility must be established both to accommodate the expansion of the labor force due to local residents' entry into the job market and to incorporate those who have traditionally been bypassed. All Bay Area residents have a stake

in a healthy economy which can provide economic opportunity and achievement of individual and collective economic progress.

These objectives and policies recognize that the outstanding quality of life and high standard of living in the San Francisco Bay Area are both the cause and result of a strong and diversified economy. The region's impressive history of development and growth has led to a creation of new job opportunities, income levels nearly 30 percent higher than the national average, economic diversity, and expanded tax bases. As a result, the region has had the means to provide education, culture, recreation and other features which are essential for a high standard of living. Unlike many metropolitan areas, the Bay Area has been able to expand its economic base while maintaining and improving the quality of the physical environment. This dedication to environmental and economic objectives reflects an awareness that the region's physical beauty, natural resources and cultural amenities have been major factors in attracting businesses, investors, tourists and residents.

However, not all communities have shared equitably in the region's growth and prosperity. Certain communities have been bypassed by the development process, creating the anomaly of poverty in the midst of plenty. Their prospects, like those of all communities, are tied to the overall strength of the region's economy. Maintaining a strong and vital regional economy must be joined by concrete measures to bring distressed communities and unemployed residents into the economic mainstream.

Many of the Bay Area's problems--housing shortages, jobs/housing imbalance, commute congestion, inadequate energy supplies, and environmental pollution--are also byproducts of the very market forces and public policies which have provided the region with material abundance. As a result, Bay Area communities are concerned that continuing economic growth be achieved to meet the needs of the residents of the region while maintaining and improving environmental quality. In addition, the different economic situations and local needs require recognition of the need for variation in the pace of growth and types of development within the region's communities. New economic development and growth must be accommodated in a manner which addresses these issues.

These economic development policies are designed to provide employment and buying power for the Bay Area's residents, improve the fiscal health of the region's communities, expand economic opportunities, foster continuing balanced development in the coming decade. Public and private sector cooperation can guide patterns of growth in the 1980's to the maximum benefit of all Bay Area residents. The economic development objectives and policies contained in this document focus on these goals and provide guidelines toward their achievement.



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ECONOMIC DEVELOPMENT OBJECTIVE 1

EXPAND OPPORTUNITIES FOR COMMUNITIES AND POPULATION GROUPS NOT NOW FULLY SHARING IN THE REGION'S ECONOMIC DEVELOPMENT.

Strong economic growth in the San Francisco Bay Area masks serious pockets of poverty and economic distress in small and large cities. Steps are required to overcome the physical problems confronting older plants and older commercial and industrial areas, the declining fiscal base of cities, and lack of access for unemployed workers to new jobs, whether due to problems of training or of transportation. In the absence of public action, new private investment in the region may bypass economically distressed communities, and new job growth will continue to be inaccessible to large numbers of unemployed and underemployed residents. Use of development incentives can bring investment and job growth into areas in greatest need of these activities. The purpose of this objective is to state as public policy that the region should seek to increase employment opportunities for racial and economic groups whose choice is presently limited, and to assist areas in economic distress to capture benefits from the region's development.

Policy 1 - Expand the region's economy to provide increasing employment and incomes for disadvantaged residents and distressed communities within the Bay Area.

concentrated area improvement programs by helping communities establish eligibility for state and federal programs, analyze the beneficial impacts of proposed projects, and secure needed funds. In addition, information and assistance on innovative development and financing techniques and changes in federal programs can be made to support local revitalization efforts.

Policy 4 - Increase transportation access to jobs for transit dependent and low income workers.

Holding a job requires both the skills to perform the job and the physical means to reach the job site. While many people in need of employment continue to reside in older areas, often new jobs are being developed where they are poorly served by public transit. Public concern for improved access in the region is being reflected in discussions regarding new transit routes, development of feeder systems, and transit funding priorities at the local and regional level. In addition, a growing number of employers are encouraging the use of car pools and van pools through provision of preferential hours and parking and information to help link employees with similar destinations. Cars and vans also service individual neighborhoods or transit points easily accessible to employees. Flextime and shift scheduling can reduce the time and impacts of commuting. These measures help open employment opportunities for residents facing inadequate transportation access to jobs and help provide firms with an expanding work force.

Policy 5 - Establish greater cooperation among employers, organized labor, educational systems, and training programs to enable unemployed and low income workers to compete for jobs in expanding industries.

Rapid growth in new service and technology industry jobs needs to be reflected in the Bay Area's vocational and job training programs, especially those serving the structurally unemployed and disadvantaged communities. Where growth in an industry is anticipated, close cooperation and consultation among employers, labor organizations, educational institutions, and training organizations is needed to assure that training programs will enable workers, especially minority youth, to meet needed job requirements. Approaches to increase effectiveness of job training programs in linking potential workers with expanding industry requirements are underway in a number of Bay Area communities. Provision of childcare enables mothers and single parents to seek and hold jobs. Increasing opportunities for upgrading of skills and internal promotion of entry-level employees reduce employee turnover and enable entry-level workers to compete for better-paying jobs.

Policy 6 - Increase availability and use of business assistance programs to assist firms experiencing difficulty in areas of economic distress.

Some Bay Area firms are threatened by changing markets, shortage of capital for investment or operations, environmental regulations, or other factors. When establishments which are important to distressed communities are endangered, special efforts should be made to extend assistance where markets can sustain them. Business assistance programs now in operation in a number of Bay Area communities help provide financial, management, and technical assistance to firms experiencing difficulty. Such techniques as fixed and working capital loans, loan guarantees, and financial and technical assistance in complying with environmental requirements are in use. Successful programs draw on resources and expertise provided by a combination of public programs and the private financial community. These programs can also be used to encourage entrepreneurship by area residents and members of economically disadvantaged groups. Partnerships among local communities and the private sector, such as the SBA Local Development Company program, have been established in a number of Bay Area communities to encourage development and utilization of business assistance programs.

Policy 7 - Improve allocation, coordination, and targeting of State and Federal assistance to meet the region's economic development objectives for distressed communities and population groups.

Economic decline and the added costs associated with services for unemployed and disadvantaged populations all contribute to an urgent need for funds and other forms of assistance for affected communities. Successful efforts to address the Bay Area's problems of unemployment

and economic distress are based on creative utilization of local resources, and often require State and Federal funds to augment these resources. A broad array of programs has been developed to fill these needs; however, funds for economic development and job training are generally allocated on a piecemeal basis. There is little opportunity for coordinating programs among the respective funding agencies.

In order to facilitate and coordinate economic assistance, local governments can work to: (a) establish eligibility for program assistance; (b) ensure that all possible funding sources are being utilized; (c) secure public investments that will capture maximum development leverage from private investment; and (d) identify planning assistance and other supporting public actions needed to attract new investments and jobs.

Developing a coordinated economic development strategy and high priority action program can help resolve the region's problems and enhance the ability of governments in the Bay region to better compete for federal funds on a national basis.

ECONOMIC DEVELOPMENT OBJECTIVE 2

PRESERVE THE QUALITY OF LIFE IN THE SAN FRANCISCO BAY AREA, A MAJOR CONTRIBUTOR TO THE REGION'S DEVELOPMENT.

Historically, the Bay Area has attracted business, workers, investors and tourists with an environment and ambience unlike any urban area in the United States. The hills and cable cars of San Francisco, the orchards of Santa Clara Valley, the vineyards of Napa and Sonoma Counties, and the comfortable residential communities in the East Bay have long held a special lure for people living here as well as elsewhere. The waters of San Francisco Bay have long served as an avenue of commerce for trade between the United States and nations of the Pacific rim. They have also delighted the eye of many and served as a rallying point for Bay Area citizens who want to preserve the special qualities of the environment.

Expansion of jobs and incomes for residents is necessary to sustain the quality of life enjoyed in the Bay region, just as the quality of life is an important contributor to the region's development. Economic development in the Bay Area has benefitted from the special setting and cultural and social institutions that have grown around the Bay. The ports have long provided employment and an entry to this country for millions of immigrants. The social tolerance practiced here has attracted people from around the world and spawned a diversity of cultural patterns that enchants tourists, attracts a sophisticated and educated work force, and supports new industries. The Bay Area has a

number of leading educational institutions, among them the University of California at Berkeley and Stanford University in Palo Alto. These have been instrumental not only in educating persons from throughout the state and the nation, but in supporting new industries and long established ones. The growth of high technology firms in Santa Clara Valley can be traced to early experiments at Stanford and continuing research there. Work at the University of California at Berkeley contributes strongly to scientific research and technological advances in such diverse industries as agriculture and defense.

By preserving large tracts of open space, including agricultural land, and placing emphasis on environmental amenities, residents in the Bay Area have maintained an urban region that is envied by many and a great attraction to those who come to visit or to work here. In addition, the Bay Area's parks and recreational facilities provide highly valued opportunities for exercise and relaxation for residents and visitors throughout the region.

To quantify the attributes of the Bay Area would be a frustrating and complicated exercise. To discount the impact of these attributes on economic growth would be foolhardy. The social, cultural, and environmental advantages of the Bay Area are many. The commitment among residents to maintain this quality of life is strong. These advantages are an important contributor to the region's economy and are cited here for that reason.

Policy 1 - Maintain and improve the high level of environmental quality enjoyed in the Bay region.

Strong environmental management has positive impacts upon the region's economic development through maintenance and enhancement of the physical features of the Bay Area. In addition, much of the attraction of tourism and business trade to the Bay Area is due to the region's ability to improve levels of air and water quality in the face of continued growth. Without this commitment to high environmental quality, the costs of pollution in terms of the region's health, public welfare, and aesthetic features would be unacceptably high. It is difficult to measure precisely the benefits realized through improved health and extended life for the young, aged, and persons with respiratory ailments. The improved quality of the Bay through sewage treatment and runoff controls, the continued fight against litter and noise pollution, and the steady reduction of smog, ozone, and invisible particulates in the atmosphere of the region have all contributed to the overall quality of life, making the Bay Area a better place to live, work, and do business. Recognition of the importance of environmental quality to continued economic growth, and the commitment to maintain and improve these standards on a cost effective basis must be a part of any comprehensive, long term growth policy. Without this commitment, the social costs of environmental deterioration will eventually erode the Bay Area's leading position as a growth center and limit the region's ability to achieve balanced economic development.

Policy 2 - Encourage maintenance and expansion of the Bay Area's vital recreational facilities, parks, wildlife areas, and the diversity of open space.

The wide range of recreational facilities and extensive network of parks and wildlife areas are an important component of the Bay Area's quality of life. Recreation, athletic, and leisure activities add to the region's attractiveness as a place to live and provide opportunities for relaxation, exercise, and maintenance of physical fitness. In addition to their economic contribution to Bay Area agriculture, open space lands provide a habitat for wildlife, help absorb pollutants, can serve as a watershed, and are a source of visual beauty. Bay Area governments should continue to give priority to the development of recreational facilities and search out innovative sources of finance to meet the needs of the region's growing population. To expand the supply and diversity of facilities, development of commercial as well as public recreational facilities should be strongly supported. In addition, the region's extensive network of parks and existing wildlife areas must be maintained, with development of complementary recreational facilities encouraged.

The Bay Area's open space, whether under crop cultivation, grazing lands or other uses, helps preserve areas with a rural character in the midst of a predominantly urban region. In addition such lands are important for their food production potential and the opportunities they provide for a farm-based lifestyle. Family farms enhance the rural character of

the region's outlying towns. The region's land use, tax, and development policies should continue to safeguard the economic viability of such privately-owned open space uses while accommodating necessary housing and economic development. Once developed for other uses, open space land is virtually lost forever. Careful assessment of the costs and benefits of conversion to urban uses can be undertaken to assure a diversity of open space land in the region for the benefit of future generations.

Policy 3 - Enhance the cultural diversity of the Bay Area's communities, neighborhoods, and population groups.

An important part of the Bay Area's heritage is its cultural diversity. As a port and the nation's main link to Pacific nations, the region has grown, in part, because immigrants have provided both their labor and their creativity. Asians, Hispanics, Blacks, Filipinos, and other minority groups have contributed substantially to the region's economy. Over the last century they have added to the region's labor pool in urban and rural areas; and they have developed robust neighborhoods in San Francisco, Oakland, and other cities and communities. In most cases these groups have retained traditional cultural patterns more completely in the Bay Area than in any other urban region of the country. Most obviously, this diversity has made the Bay Area a unique tourist center and continues to attract millions of people each year. In other ways, the investments of ideas and money by immigrants has contributed to the sound economic base and the nurturing of new technologies. The diversity and sophistication of the region have enabled business leaders

to engage more effectively in business negotiations outside this country because they are more familiar with cultural and social patterns elsewhere. In addition, the Bay Area was chosen by the Chinese government as the center for their growing trade with the United States in large part because of the strength of the region's Chinese population. For all of these reasons, maintaining the ethnic and cultural diversity of the Bay region will serve to support continued economic growth.

Policy 4 - Sustain the Bay Area's outstanding university, college, and community college system and improve the quality of local public education.

The Bay Area's major universities play a significant role in the region's growth as a center of financial and administrative activities and research-intensive industries. The high technology electronics industry was born and nurtured at Stanford. Private firms are well aware that a well-developed college and university system is vital not only as a source of new managers and technical professionals but as a means to ensure that employees can keep current with and advance in their fields of specialization. This applies not only to mid-level staff persons but is even more important for high school graduates in an increasingly technical and service oriented economy where para-professional skills can open the door to advancement. In this regard, the Bay Area's community college system serves as a major resource. The Bay region has a vital interest in policies which support post-secondary higher education. Ways to assure that these resources are being fully used should be strengthened.

The public schools of California used to be the envy of the nation. Gradually, this leadership role has slipped. As a consequence, the region's role as a leader in the technical and professional fields and its ability to attract needed personnel from outside of the state will suffer in the long run. Maintaining and strengthening the quality of public elementary and secondary education is of vital importance to the Bay region. School programs that prepare young adults to be informed citizens in an increasingly complex environment, with skills for the jobs that will be open to them in the future, are a fundamental goal for the Bay Area's communities.

Policy 5 - Support the development of the arts, music, dance, sports, and other cultural activities in the Bay Area's large cities and smaller communities.

Until recently the "arts industry" was not recognized as a significant part of the region's economy. Now it is known, and its contributions are recognized. In a direct way the arts provide employment for thousands of people, from the individual artist selling his work through a gallery to the crew responsible for a national concert tour. In many ways the region exports the arts to the rest of California and the nation. Ballet and opera companies, rock groups and symphonies, painters and writers all sell much of their work to people outside the Bay Area, and this region's growing reputation in the arts has often improved those sales elsewhere.

The cultural richness of the Bay Area also attracts businesses concerned with the environment in which their workers will live. The availability and diversity of arts in the Bay Area has continually been a factor in aiding businesses to seek and maintain persons of special expertise that are recruited elsewhere. These same attractions have brought generally well educated people to the Bay Area in search of employment. In most cases the labor force attracted to areas with an active and growing arts industry are those compatible with the headquarters office activities and high technology industries that have grown rapidly in the Bay Area. As the arts continue to grow and reach new levels of excellence, they will prosper as an industry and support and enhance the Bay Area's economic development.

In addition, the quality and diversity of professional and amateur sports teams in the Bay Area serves as a major source of recreation and entertainment for residents and contributes significantly to the hotel, tourist and recreation industries in the region. Maintaining the region's major league teams and supporting the development of local participation in sports activities contribute to the well-rounded lifestyle that is a major attractive feature of the Bay Area.

ECONOMIC DEVELOPMENT OBJECTIVE 3

STRENGTHEN THE BAY AREA'S POSITION AS A PRIME LOCATION FOR OFFICE ACTIVITIES AND HIGH TECHNOLOGY INDUSTRIES AND PROMOTE CONCENTRATIONS OF THESE ACTIVITIES IN AREAS THAT CAN PROVIDE NEEDED HOUSING, TRANSPORTATION, AND PUBLIC FACILITIES.

Office-based activities and high technology industries are the major driving forces for the creation of new investments and jobs in the Bay Area economy. Over half of all workers in the Bay region now hold office jobs, and growth in office employment accounted for 60 percent of total employment growth in the Bay Area between 1970 and 1978. High technology industry development is continuing at a very rapid pace in the region, and it contributed 15 percent of total Bay Area employment growth between 1972 and 1977. Maintaining the underlying economic strength of the region is dependent on continuing the strength of these expanding sectors which compete internationally. The Bay Area needs to encourage the balanced and continued growth of these industries in order that more local communities may share in the benefits of the region's development.

Policy 1 - Strengthen the Bay Area's leading position for corporate headquarters and office activities and support concentrations of office development in Bay Area communities that can provide needed housing, transportation, and public facilities.

The San Francisco Bay Area is a major financial, administrative and headquarters center in the United States. It competes in a national and international market for corporate headquarters and other primary office functions. Many investment, legal, accounting and other specialized service firms in the Bay region draw their principal markets from far beyond the Bay Area and California. These businesses help support a wide range of ancillary services, from printing to office supplies. Rapid growth of financial and service activities and widespread innovations in information processing also fuel increasing demand for office space to accommodate their expanding operations.

The Bay Area serves as a premier headquarters location, with a number of dynamic and expanding office centers. Growth of office functions throughout the region is a healthy market trend that will continue. Concentrations of office development, such as in downtown areas and business parks, should receive strong support from regional policies in order to alleviate future strains on the region's housing and transportation systems and encourage balanced regional growth.

To attract and accommodate continued office industry growth, new office development in the region should be encouraged in communities with existing underutilized facilities, good transportation connections, and proximity to substantial housing and available workers. Based on these factors, a number of Bay Area communities present enormous potential for attracting office development. Where needed to overcome physical problems inherited from the past, office development should be closely tied to renewal and transportation improvements which can increase the overall attractiveness of older cities' revitalization efforts.

In addition, new office development should be encouraged in Bay Area communities capable of providing needed facilities, with infrastructure and additional transportation linkages planned and programmed for funding, and where there is a clear commitment to providing housing to match employment growth generated by new development. In these communities, private developers' cooperation with local governments in planning office complexes and office parks can lead to growth that meets both industry and community needs. Local plans and investments in public facilities can complement and support concentrated patterns of office development in these areas. Where adequate planning for office growth has occurred, permit processing can be expedited for projects meeting these goals.

Just as growth in adequately served sites should be encouraged, sprawl development to sites that cannot be efficiently served is a luxury that the Bay Area cannot afford. A compelling need should be demonstrated for office complexes which leapfrog to new, unserved locations.

Policy 2 - Strengthen the Bay Area as an international center for the high technology industry and support siting of facilities in Bay Area communities that can provide needed housing, transportation and public facilities.

The complex of high technology electronics, computer and office equipment, scientific instruments, and aerospace and ordnance industries is a major sector driving the Bay Area's and the nation's economy. Close working and competitive relations among firms engaged in research

and rapid innovation, the concentration of scientific talent, the presence of major universities and research centers, and quality of life considerations have all contributed to the primacy of the Bay Area as a national research and development and manufacturing center. However, problems created by burgeoning industry growth in relation to housing and transportation constraints, and labor availability and turnover problems, have begun to exert a dampening influence on continued industry expansion within parts of the Bay region.

Public and private actions to redress the growing jobs/housing imbalance and alleviate transportation congestion are required to support growth of high technology industries in the region. Headquarters and research and development operations are the key to the region's high technology industries and must be encouraged. The technological nature of this rapidly growing industry and its rapid pace of change are strong factors in concentrating these functions in close proximity to existing centers. Other operations, especially manufacturing, are expected to continue their expansion to locations throughout the Bay Area.

Many Bay Area communities provide substantial opportunities for high technology industrial development. To prepare for attraction and accommodation of new growth or expansion, local zoning and general plans of Bay Area communities can encourage concentrations of high technology firms on attractive sites in areas well served by housing, transportation and public facilities. High technology industry development should be encouraged in communities with existing underutilized facilities, good transportation connections, and proximity

to housing and available workers. In addition, such development should be encouraged in Bay Area communities capable of providing needed facilities, with infrastructure planned and programmed for funding, and where there is a clear commitment to providing housing to match employment growth generated by new development.

Private developers should be encouraged to cooperate and consult with local governments in planning industrial parks that meet both industry and community needs. Preparing master Environmental Impact Reports and establishing a fast track in permit processing can help encourage growth in planned industrial areas within the region. Promoting an efficient development pattern will help reduce overall public service costs associated with industrial expansion, allow firms to better utilize more of the region's labor force, and maintain the attractiveness of the Bay region for high technology firms into the future.

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ECONOMIC DEVELOPMENT OBJECTIVE 4

RETAIN THE BAY AREA'S EXISTING INDUSTRIES AND SUPPORT GROWTH OF ADDITIONAL INDUSTRIES WHICH CONTRIBUTE TO A HEALTHY, DIVERSE ECONOMY FOR THE REGION.

The diversity of industries within the Bay Area is a major factor contributing to the health of the region's economy. In addition to the rapidly growing sectors, the range of industrial and commercial activity not only contributes to economic vitality but serves to better insulate the region from dramatic swings in the national and international business cycles. The Bay Area's economic diversity enables it to weather sudden market shifts by virtue of the mix of products and the gradual shift to more service-oriented activities.

The underlying shift toward increasing service and office-related employment is responsible for most new jobs in the region. At the same time, this ongoing shift away from manufacturing and traditional industries threatens to disrupt the necessary balance and mutually reinforcing effects of these sectors. A balanced diversity of industries provides a more stable and diversified market for businesses serving local and regional markets, permits workers in declining industries to be retrained for work in growing industries without major dislocation, and contributes to the region's position as a center for new capital, advanced technology, and innovative business enterprises. The challenge facing the Bay Area is to maintain the region's industrial diversity through working to retain existing industries and encouraging

expansion of newly emerging as well as existing growth sectors within the region.

Policy 1 - Coordinate public and private actions to assist retention of traditional Bay Area industries and firms.

Private firms, responding to market forces, are often in a position of making a correct financial decision to close or relocate a plant, but a socially damaging decision in terms of employment and health of the local economy and tax base. Manufacturing, petroleum refining, food processing, and agriculture are among the industries whose continued operation is important to the region. The consequences of relocation or decline of traditional industries in terms of unemployment, land use, and efficiency of existing infrastructure and transportation patterns in many cases can be extensive. Coordinated public actions may be able to address site or facility problems and help reverse factors causing closure or out-migration. Joint local government/private sector efforts should seek retention of such firms through use of state and federal business assistance programs and exploration of mutual commitments which may enable firms to stay in business in the Bay Area. Actions which can assist firms on a local level include responsive regulatory procedures, help for firms in aging facilities to implement plant and equipment renovations, and assistance for growing firms in finding convenient sites for expansion. Alternative industries to provide jobs for displaced resident workers need to be encouraged. Local assistance may also take the form of cooperation among jurisdictions to facilitate industry expansion within the region.

Policy 2 - Realize the Bay Area's full maritime potential and assist the region's communities with good transportation access to these facilities to benefit from increased shipping and trade related activities.

The Port of Oakland is the largest containerport on the West Coast. The Port of San Francisco is the major general cargo port serving the region, and the Port of Richmond is adding container facilities to its established specialization in petroleum imports. These maritime facilities and other water-related activities provide essential services to the major economic centers of the Bay Area. International trade, particularly with the Pacific Basin, and shipments of manufactured products and natural resources all require strong transportation services to move products inland. To continue the vitality and expansion of a large number of Bay Area industries, the region's port facilities must continue to develop in capacity and technological sophistication. Increased trade with Pacific Basin countries and expansion of the region's market area due to development in the Western Sunbelt will require that more port facilities and land with deep water access be made available for port expansion.

Policy 3 - Support the development and operation of the region's aviation industry in a manner that best serves the Bay Area economy.

The Bay Area is served by three commercial airports, all of which help strengthen and stimulate the local economy. San Francisco, Oakland and San Jose Airports support the economy by enabling convenient air travel for business and tourist trips and cargo shipments. The region should make optimal use of these public facilities by encouraging a better distribution of airline service. An improved distribution would help reduce travel time and cost for Bay Area business. Improved transit connections from centers of major employment to the region's airports are also necessary. In addition, regional approaches for airspace use should be undertaken to provide for maximum safety and minimum delay.

Policy 4 - Sustain the Bay Area's leading position for tourism and convention trade.

The combination of the Bay Area's physical beauty and its many entertainment and cultural amenities draws business and recreational visitors from all parts of the nation and the world. The tourist and convention industries which serve these visitors constitute a major generator of regional income. Tourism has become a billion dollar industry and has had a positive impact on hotels, motels, restaurants, and retail stores. Also, professional teams in every major sport and a wide range of amateur sports activities provide attractions for fans and enthusiasts both inside and outside of the Bay region.

The Bay Area's leading position in this industry should be maintained through the timely expansion of facilities and completion of existing convention projects. Increased popularity of winery tours and the full

development of the Golden Gate National Recreational Area are other examples of expanding tourist attractions in other parts of the region. Better public transportation should be encouraged to allow alternatives for tourists visiting these popular locations. Cultural, ethnic, and entertainment diversity, properly maintained services, and preservation of the many physical attributes of the region are necessary to continue the area's attractiveness. Furthermore, support for local tourist and convention serving industries is necessary to maintain and expand the region's tourist trade which is threatened by high fuel and transportation costs.

Policy 5 - Maintain the vitality and stability of the construction industry as a pivotal economic sector.

The construction industry plays a pivotal role in maintaining a growing and balanced economy. In addition to on-site construction jobs, many other industries are tied to the economic health of this sector. The production and distribution of building supplies and tools, from natural resources to manufactured goods, are heavily dependent on continued construction activity. The level of demand for consumer durables, office and home furniture, new machinery and supplies which fill newly constructed or rehabilitated buildings are also closely related to the level and stability of construction.

In addition to the widespread employment effects, dramatic fluctuations in construction activity have inflationary impacts on total construction costs due to the uncertainty of future supplies and building materials, the reaction of interest rates and other financial costs, and the difficulty of long range industry planning. Greater certainty and a

steadier stream of construction activity would benefit both the industry and related economic sectors.

Efforts to stabilize and maintain the health of the construction industry are not only important to balanced economic growth of the region, but are essential for the revitalization of older urban centers. Wide fluctuations in construction demand add to the final costs of rehabilitation and new buildings. In addition, without steady construction activity, resident skilled labor must commute greater distances or even move out of the region to find jobs.

Joint government, industry and labor efforts can provide information and improve communication and coordination between firms, unions and various local government agencies. Also, increased efficiency and certainty in the regulatory and permit process can help to stabilize and encourage beneficial construction activity in appropriate locations throughout the region.

Policy 6 - Assure support for the generation and growth of emerging industries.

The ability to capture and nurture the development of new technologies and innovative products and services has been a major source of strength for the Bay Area economy. In order to continue economic growth, the region must be able to encourage emerging industries which not only contribute to employment generation but add to local industrial diversity and long term growth potential. New industries include

biotechnology, alternative energy sources, and health research and development. Maintenance of the region's reputation as a center for innovation will reinforce the Bay Area's attraction and retention of highly skilled scientists and technicians who pioneer such developments. The high concentration of financial institutions and venture capital firms in the Bay Area is vital to the region's ability to transform research and technological innovation into the production of goods and services. Furthermore, as new products move into the manufacturing stage, new skilled and semi-skilled jobs are created which benefit other segments of the communities and enable the region to meet the needs of the expanding work force.

Policy 7 - Support continued growth of small businesses in the Bay Area and vitality of the region's commercial and service sectors.

Commitment to small business development is an important component of an economic development strategy for the Bay Area. On a nationwide basis, two-thirds of all new jobs generated between 1969 and 1976 were created by businesses employing fewer than 20 people. Whether defined by number of employees or volume of sales, small businesses provide opportunities for Bay Area workers to go into business for themselves and contribute to the diversity of the region's economy. Commercial and service establishments extend the range of goods and services available in city and regional shopping centers and in neighborhood communities. The wealth of restaurants and entertainment contribute to the attraction of the Bay Area as a place to live and as a location for the establishment of new firms and divisions in the region. Many small businesses provide

support for major industries in the region, through supplying intermediate goods or services, such as printing and delivery. The variety of products and services reinforces the health of the region's economy.

Raising capital and complying with regulatory procedures and reporting requirements are two areas in which small businesses are generally at a disadvantage relative to larger firms. Commitment on the part of the region's banks and financial institutions is needed to extend capital for start up, operations, and expansion of small businesses in Bay Area communities. For small enterprises with special needs, SBA and other business development financing programs can help spread or reduce lender risk. In addition, Bay Area governments and regulatory agencies can continue efforts to simplify the local regulatory process, establish one-stop permit centers, and lessen paperwork and reporting requirements for small firms.

Policy 8 - Support the continuation of agriculture and food processing industries within the region.

Production and processing of food is one of the largest manufacturing industry groups in the Bay Area's economic structure. The industry's products supply important segments of retail and wholesale trade within the region and are exported to the nation and abroad. There are also linkages with suppliers to the producers which make the industry a center of a much larger set of economic activities. Furthermore, almost half of the industry's output is consumed by the region's households.

Employment has gradually declined for two reasons: the suburbanization of the region's agricultural land, and the shift of some food processing plants to the Central Valley. This decline has been more than offset by growth of jobs in the food distribution and sales sectors, reflecting increased demand for the products of the region's food manufacturers.

Bay Area agricultural lands are among the most productive in the state. Various soil and climatic conditions within the Bay Area are ideal for particular types of agriculture. These include most vegetable crops, several orchard crops, flowers, dairying and grazing generally, and some field crops. The economic contribution of these and other agricultural uses must be recognized and the land that sustains them protected. Much of the region's agricultural land has given way to industrial and suburban development. Reconciling the competing needs for agriculture and urban development will require carefully balanced efforts to preserve as much high quality productive agricultural land as possible, support infill development within existing communities and control uneconomical urban sprawl.

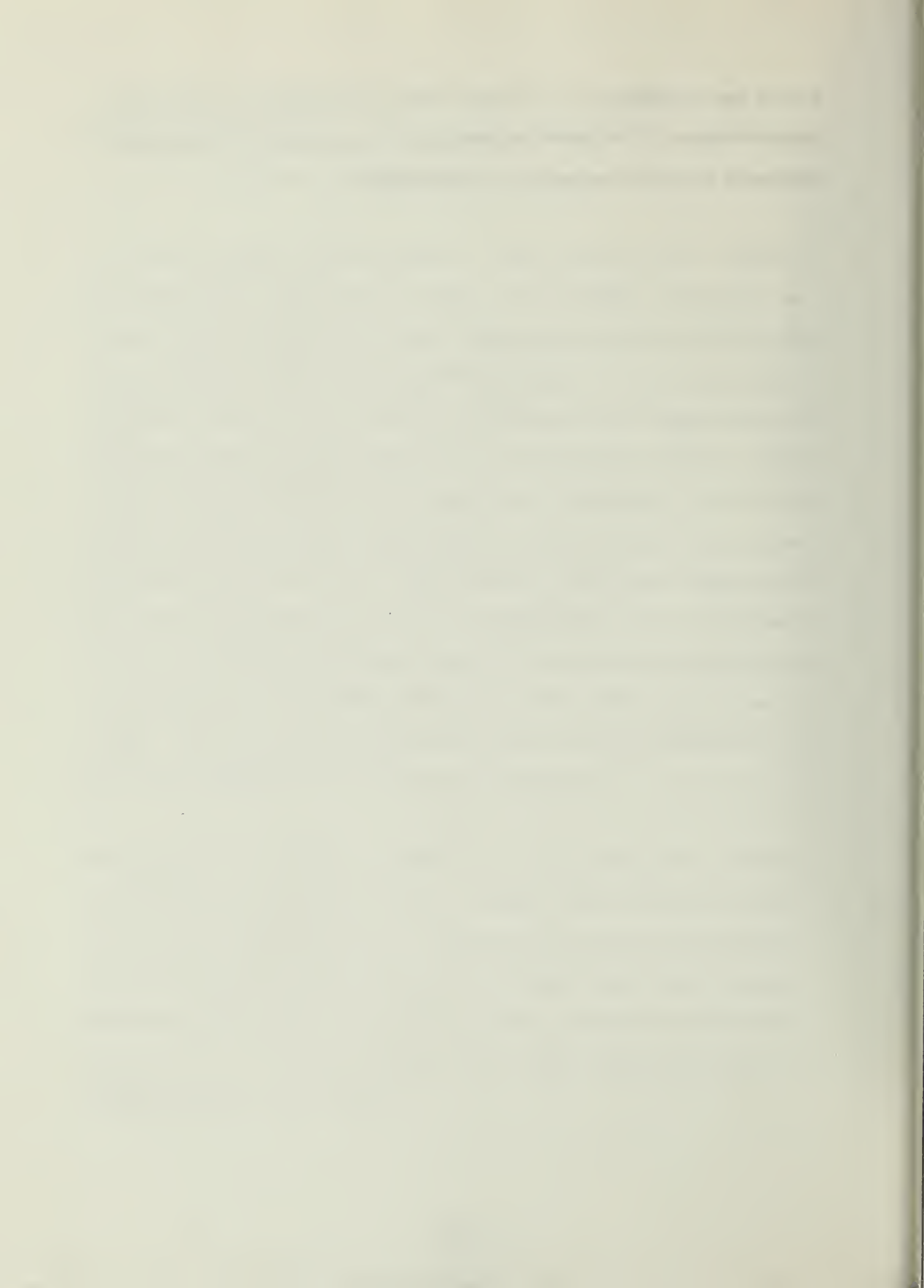
As agricultural production increases in the Central Valley and other locations, efforts must be made to retain food processing plants as well as related supply and distribution industries in the region. These industries provide stable employment for a core of skilled workers and also provide seasonal jobs, which are filled primarily by unskilled Bay Area residents and secondary family income earners.

Policy 9 - Maintain the Bay Area as a major center for state and federal facilities and activities.

The public sector is a major provider of jobs in the Bay Area. Although the federal and state sectors remain fairly stable, the region has experienced most of the new public job growth in cities, counties and special districts. Most federal government activities and many state functions, however, are financed with revenues generated outside the region and thus contribute substantially to the region's economic base. In San Francisco, regional offices and federal departments provide large numbers of jobs and expansion of these activities is occurring in other major cities in the region. Major federal installations such as Mare Island Naval Shipyard, Travis Air Force Base, Moffett Field and Alameda Naval Air Stations, and several Veteran's Administration hospitals and facilities employ large numbers of workers with a wide range of skill levels. Most of the state's basic functions are in San Francisco or in major institutions of higher learning in the region.

Heavy dependence on Federal expenditures can leave the region vulnerable to major changes in national policy. However, Federal contracts as well as defense facilities remain an important factor in the economy of some Bay Area communities. Diversification of markets and of local economies helps ensure balanced growth. Many defense contractors and electronic firms have diversified and expanded into broader private business and consumer markets in recent years.

Within the framework of a balanced and diversified economy, the contributions of Federal expenditures to the region's income and employment should be recognized and maintained.



ECONOMIC DEVELOPMENT OBJECTIVE 5

INCREASE HOUSING PRODUCTION TO MATCH ANTICIPATED EMPLOYMENT GROWTH, NEW HOUSEHOLD FORMATION, AND THE CAPACITY OF LOCAL COMMUNITIES TO PROVIDE NEEDED PUBLIC FACILITIES AND SERVICES.

While Bay Area jobs have increased steadily over the past ten years, growth in the region's housing supply has not kept pace. This has occurred as a result of many factors, among them growth control measures, current zoning patterns that do not enable higher density development, and failure to take full advantage of innovative financing programs and design and construction techniques. As a consequence, the number of new housing units has not matched the number of households looking for a place to live, and the unsatisfied demand for housing has contributed to the rapid escalation of housing and land prices. An overall increase in supply is the best means to lower the cost of housing. The rising cost of housing serves to discourage location in the Bay Area of new industrial growth by pushing up the cost of living for employees of all skill levels. At the same time, high housing costs reduce the discretionary incomes of Bay Area residents, leaving less for other expenditures and for savings and investments. Housing prices are hurting employees in all pay ranges, managers and professionals as well as clerks and production workers.

One of the most serious problems facing economic development in the region is the limited supply and high cost of housing. Although more

housing at all price levels is necessary. from an economic development perspective, the shortage of purchase and rental housing affordable to working households at low and moderate income levels serves as a major constraint to balanced economic growth. New economic development creates jobs and requires additional workers in a wide range of skill and wage classifications, many of which are in the lower and moderate income categories. New job growth which is not served by appropriately priced housing directly contributes to labor shortages which in turn diminish the attractiveness of the region for future economic development. The same problem of attracting and holding employees in the face of unprecedented housing costs is confronting Bay Area industries which employ large numbers of professional, technical and managerial workers as well.

Only when the Bay Area's housing grows commensurately with cities' planned increases in new industry and jobs can the region's citizens be adequately housed at reasonable costs in relation to incomes. Changes in local land use policy and regulatory reform measures are needed to increase the supply of residentially developable land and stimulate increased housing production. Special efforts can be targeted to construction of housing in the low and moderate income price ranges as well as production of housing affordable for other employees.

An additional aspect of the region's housing problem is that new housing production in the Bay Area has tended to be lower density housing built on the periphery of the region, while job growth has continued strongly

in central locations. This imbalance between the location of job and housing concentrations in the region has caused severe congestion and led to increased air pollution and energy usage. In addition, housing prices and rents in cities and communities close to job centers are soaring to unprecedented levels. Increasing the supply and density of housing in proximity to major job centers and encouraging industrial development in communities with affordable housing are needed to adequately house the Bay Area's residents and maintain the region's attractiveness for continuing economic development.

Policy 1 - Promote higher density development, increases in the supply of land available for residential use, and use of development incentives to increase the supply of housing at locations well served by existing or planned services and accessible to job centers.

Expansion of the housing supply in areas easily accessible to major job centers is critical to reduce the growing jobs/housing imbalance, reduce transportation commute loads and impacts on air quality, and alleviate upward pressures on housing prices in the Bay Area. This effort can be accomplished through encouraging higher density development, increasing the supply of developable land, and offering additional incentives to stimulate housing construction in proximity to job centers. Some Bay Area communities and developers are allowing increased residential densities in designs compatible with existing neighborhoods and undertaking selective rezoning of commercial and industrial land, where

such land is in excess of need, to provide the tracts of land needed to develop significant clusters of additional housing. The issue which must be addressed is resistance in the typical community to infill development even of a housing type and density common to the neighborhood.

Where agreement on greater housing production has been reached, communities can experiment with a range of development incentives geared to increasing the supply of affordable housing. These incentives include requiring provision of less extensive improvements, adopting incentive zoning or density bonuses for developers providing units in target areas, and approving mixed use developments and conversions of obsolete commercial and industrial structures to residential use. These measures are needed to accommodate increasing demand for housing in proximity to job centers and restrain future increases in housing costs in the region.

Policy 2 - Promote awareness and use of financing and other techniques to stimulate construction of housing within the means of working households.

Construction of housing within the low and moderate price ranges is essential to continuing economic development as most new job growth generates incomes that do not enable workers to enter into the Bay Area's tight housing market. Low and moderate income families, respectively, are defined by state and federal agencies as those who

earn up to 80 and 120 percent of median income within the region. In 1980, with a median family income of approximately \$23,400 in the Bay Area, the upper limits of these brackets are \$19,000 and \$28,000 for a family of four.

While expanding the supply of housing in the region is the most effective long-term means to slow the rate of increase in Bay Area home prices and rents in the future, a number of innovative financing techniques and other approaches are now being used by cities and counties to stimulate construction of affordable housing. They are relying more on local resources and ideas and less heavily on the traditional federal subsidy programs, and are recognizing the importance of marketing these approaches to the region's home builders. The need for affordable housing is of increasing concern to local governments, citizen groups, and the business community in the Bay Area. A number of joint task forces have been formed to lay the foundation for public/private cooperative efforts and define recommendations for action.

Use of innovative financing programs, design and construction techniques, and development incentives can stimulate construction of housing in the low and moderate income price ranges. Among the techniques being used in Bay Area communities are provision of project subsidy finance through HUD and CHFA programs, use of state and municipal bonds to provide lower interest mortgage funds, development of landbanking programs, partnerships with housing development

corporations, incentives for construction of rental housing, inclusionary zoning, provision of density bonuses for developers of low and moderate cost housing, and "fast track" permit reviews. Cities are experimenting with these latter techniques as a means to provide developers with greater certainty and reduced time in the development process and to provide the community with an increased low and moderate income housing stock. It is important that these approaches be designed in a cost-effective manner if they are to succeed over the long term. In cooperation with local housing development organizations and housing task forces, ABAG can work to provide information and increase awareness of these programs among Bay Area communities.

Policy 3 - Support regulatory changes to stimulate construction of housing in the low and moderate price categories, as well as other price ranges, within the region.

Over the years, Bay Area communities have sought through regulations on the housing industry and the residential development process to assure consumers of a structurally sound product and respond to environmental and neighborhood concerns. Adoption of these regulations in a piecemeal fashion by different departments and levels of government has resulted in cumbersome permit review and approval procedures which have served to slow residential growth. In addition, complexity and delay associated with the regulatory process exacerbated in some communities by post-Proposition 13 staff cutbacks raise predevelopment and interim financing costs and add considerably to the price of new housing

construction. As a result, the average size and price of housing profitable for new construction continues to increase, and fewer units are built in all price categories within the region. Review and changes in regulations are needed which can speed housing delivery and ensure cost savings for housing consumers. At the same time changes in regulations should also insure that developers will make commitments to respond to communities' needs and ability to provide services.

Some Bay Area communities are adopting permit simplification measures, shortened review periods, and revision of building and subdivision controls to expedite residential development. Such measures can be linked to efforts to increase incentives for construction of lower and moderate cost housing units. Information on these efforts needs to be widely shared among local governments in the Bay region seeking to respond to housing problems faced by current and potential residents.

Policy 4 - Build public understanding and acceptance of the need for higher density development of sale and rental housing in close-in locations.

The bias of many Bay Area communities against higher density and rental housing is a strong barrier to the attainment of housing goals for the region. Studies to date confirm that modest density increases can directly benefit a community through relief from traffic congestion and relatively lower public service costs as well as by providing needed living space. In addition, the region needs more rental housing to

serve growing numbers of new households unable to afford the rising cost of homeownership, as well as those of all income levels who prefer a high degree of mobility and are renters by choice.

Educational efforts can help to better inform citizens and local governments of the dimensions and impacts of the region's housing problem, and about the benefits and neighborhood compatibility of well designed higher density sale and rental development. Joint citizen/government/industry task forces and local housing development organizations are appropriate vehicles for this effort. Promoting awareness of successful programs and projects in Bay Area communities would comprise an important component of this work.

Policy 5 - Encourage balanced residential and industrial growth within major sections of the Bay region.

Key to alleviating the critical jobs/housing imbalance affecting many areas of the Bay region is encouraging local governments to accept greater responsibility for more balanced residential and employment growth within major sections of the San Francisco Bay region. Having every resident work and live in the same place or requiring exact numerical balance between a community's jobs and available housing units is not feasible or desirable. However, achieving a more complementary distribution of jobs and housing in the region can relieve transportation and commute congestion, alleviate impacts on air quality, and help reduce upward pressures on housing prices in communities in

proximity to job centers. In addition, it must be recognized that new industrial growth in the region requires availability of housing affordable to employees. Communities which have historically provided significant increases in housing supply at a full range of prices should be supported when they seek added jobs. Communities which do not presently provide a full range of housing and those which plan for significant levels of job growth in excess of past housing growth should accept responsibility for providing housing at price ranges and rent levels affordable to workers in these jobs.

Capital improvement programs geared to residential growth needs, rezoning of land to residential uses, development of "fast track" permit processing, and encouragement of mixed use and planned unit developments can encourage balanced residential and industrial expansion at the city and county level. Fiscal incentives for communities are also needed to encourage them to better balance residential land supply with projected demand and to alter land use plans to provide a balance of job creating activities and housing opportunities.

Policy 6 - Seek to increase fiscal incentives for new residential construction.

Attainment of the region's housing goals cannot easily be met within the context of post-Proposition 13 and Proposition 4 financial constraints on local governments. Unless increased residential construction in the needed range of densities and costs can "pay its own way" for attendant

infrastructure and service costs, fiscal disincentives will work against local acceptance of responsibility for meeting the region's housing needs. ABAG and city and county governments can explore possible changes in fiscal subventions from the state so that funds are "geared" to local housing production, and advocate legislation which will return more sales tax revenues to communities and/or permit other means of raising local revenue. The competing needs for higher development fees to offset municipal costs, and the desire for lower development fees to reduce new housing costs, need to be weighed and balanced. Creation of multijurisdiction local service districts is one technique to ease local burdens associated with public facility and service costs. Such districts should be designed to promote compact development in coordination with cities and counties.

ECONOMIC DEVELOPMENT OBJECTIVE 6

ENCOURAGE FOCUSED ECONOMIC DEVELOPMENT THROUGH COORDINATED PUBLIC AND PRIVATE POLICIES AND ACTIONS THAT WILL MEET IDENTIFIED PUBLIC NEEDS OF THE REGION.

The San Francisco Bay region's economy is complex and sophisticated, composed of a combination of traditional industries, growing high technology industries, headquarters for national corporations, specialized office functions, and a wide range of business and consumer services. The direction, pace, and character of the region's economic development is shaped by private investment. The region's economic development is also supported by an extensive transportation system, housing and labor market, utility and power network, and a range of communities and local governments. The policies and actions of more than a hundred cities and counties and the regulatory processes and capital plans of a large number of state and regional agencies present a complicated framework in which development decisions are made.

Public and private leaders have an important stake in understanding the major forces at work influencing economic development. The Bay Area competes internationally for investment and job growth, just as Bay Area communities compete among themselves for shares of this growth. An understanding of the needs for rational economic growth constrained by limited public resources and environmental concerns requires an era of increased cooperation and mutual commitment. Coordinated efforts can

reduce barriers to the development process and continue the region's attractiveness for economic growth, whether through streamlining regulatory procedures, undertaking investment in needed public facilities and services, providing information on the region's economy and development potential, or other actions.

Policy 1 - Promote an improved climate for private investment in the region by an ongoing review of the costs and effectiveness of regulations and simplification of regulatory procedures.

The important public policy questions concerning the costs and benefits associated with regulations deserve further review in the region. The region's public and private leaders need to carefully examine these benefits in relation to the costs of major environmental and development regulations. The impacts of locally imposed fees, dedications, and other development requirements can alter or inhibit economic development. Closer scrutiny of the impacts of the California Environmental Quality Act along with analysis of costs and benefits of other public regulations can help bring about development better suited to private and public needs.

The costs of uncertainty and delay deter investments in the region. With the price of permit submissions and approvals running into millions of dollars for major projects and construction and land prices rising every month, the Bay Area's business climate can be substantially improved by making the regulations governing development easier to

understand and more predictable. Such reforms can also provide local jurisdictions greater certainty about the timing of new development and need for related public investments in infrastructure. Local governments and the special purpose regulatory agencies have responsibilities for development controls. Actions to coordinate reviews among agencies, provide joint hearings, master Environmental Impact Reports, and one-stop approval procedures--now underway in some communities and agencies--can save costs and improve the region's ability to attract investments.

Policy 2- Time public investments in facilities and services to meet existing needs and serve anticipated industrial, commercial, and residential growth.

Public facilities in place or ready to be built when private financing commitments are made make most effective use of investment funds for economic development in the region. Delay can result in inefficient use of funds and possible loss of investor commitments. In addition, community and regionwide facility plans need to be prepared which identify areas where public services can be assured within a specific time. When approving such development plans, local communities must possess the means to finance required infrastructure, including increases in sewage treatment capacity. One county has established Urban Service Areas to show where municipal services will be provided within a five-year period. Increased use of this approach, coordinated with capital facility and service plans of regional agencies, such as

the Metropolitan Transportation Commission and the San Francisco Bay Regional Water Quality Control Board, can help assure that needed public facilities will be provided in a coordinated and carefully programmed manner. Private investors can work more closely with public agencies to help ensure that major private projects planned for the future can be anticipated and reflected in these plans.

Policy 3 - Encourage development of innovative revenue sources and more effective use of existing ones to assure financing for facilities needed to support economic development and balance costs and benefits among jurisdictions and users.

New reliable sources of revenue will be required to ensure the public funds needed for facilities and services. The State Legislature has set a new fiscal framework for local governments, but legislative and judicial clarification is still needed on the full impacts of Proposition 13 and Proposition 4. Local governments and other public agencies will need to find innovative ways to support economic development emphasizing more effective use of existing resources within the framework of revenue and spending limitations. A number of Bay Area communities are developing new ways of funding facilities for economic development. All communities can gain by a sharing of information about new financial and programming techniques that help to assure continued economic growth.

The challenge of reaching an equitable balance between those who pay the costs and receive the benefits of development in the Bay region has intensified under growing fiscal constraints. A serious problem is presented by the discrepancy between communities when one realizes the tax benefits of large industrial and commercial projects while another must pay the costs related to housing and services for workers. In addition, investors are concerned when the first project in an area is asked to pay a disproportionate share of the cost for facilities that will benefit succeeding projects in the area. Financing mechanisms which achieve a more equitable balance of development costs and benefits among jurisdictions and users are urgently needed.

Policy 4 - Support public and private efforts to provide information on the region's economy, regional development trends, and innovative development techniques to Bay Area governments and private investors.

Information is costly to gather and disseminate. As rapid changes in national and international markets, trade relations, and technological and product innovation affect development patterns and decisions within Bay Area communities, the need for a consistent overview of economic trends becomes increasingly acute. No single unit of government or private sector firm has complete information over the range of issues which impact on the region's development. Overall economic development trend information for the Bay Area based on research and analysis of economic data already available from a wide variety of public and

private sources is needed. Information on innovative development arrangements, such as mixed use development, financial techniques which combine public and private resources, methods for improving regulatory procedures, and analysis of new public policies with respect to development can benefit all local governments and a wide range of private interests.

Policy 5 - Provide information to assist local communities in identifying areas suitable for future development within Bay Area communities and in achieving balance between residential and industrial growth.

Information which provides a consistent areawide context within which local public and private investment decisions can be made will help resolve growth issues and enable the region's economy to operate more smoothly. The differential impacts of development trends and constraints within various subregional areas need to be viewed from a regional perspective in order to better understand what policies and actions must be undertaken to achieve long term solutions. National and international developments can affect individual communities through impacts on housing supply, labor force availability, commute patterns and industrial growth patterns. Each individual community has the best information on its ability to provide for new growth. However, the cumulative effect of separate local government actions and private investment decisions is harder to ascertain, and resultant trends can adversely affect the future development potential of the Bay Area as a

whole. Local governments and the private sector need to work together to identify future development patterns which promote long term regional economic growth, and call attention to bottlenecks and constraints impeding balanced economic development in the Bay region.

Policy 6 - Develop an ongoing public/private sector forum to address the major issues confronting the Bay Area's economy and encourage formation of joint local government/industry task forces on specific areas of concern.

Many complex issues confront the Bay region's economy. Decisions made in one industry or jurisdiction generally affect related industries and surrounding jurisdictions. Individual actions by private investors and local governments often have cumulative development impacts that shape or constrain the region's development as a whole. Given the reality of shared impacts, a regionwide forum is needed to address the major issues in light of overall effects on the region. Such a forum can encourage discussion of the economic, environmental, and fiscal consequences of major legislation, private development proposals, and public investments. In addition, local government/industry task forces can be formed to advise communities on specific issues. These forums and task forces would enable full public review of the impacts of major development choices and proposals and allow the needs of affected parties to be better understood. By developing this information and dialogue early in the process, questions which lead to more costly delays later can be minimized and actions undertaken to provide maximum

benefit to the region's development. At the regional level, the intensive review by the Environmental Management Task Force of the Environmental Management Plan is an example of how such a forum can work. A number of local task forces now in operation in Bay Area communities provide examples of how public officials, citizens, and private sector leaders can propose public and private actions to resolve critical problems.

Policy 7 - Examine actions that will provide adequate, reliable sources of energy, especially electric power, for the Bay Area consistent with other regional objectives.

An assured supply of energy is fundamental for long-term confidence and private investment. The Bay Area is a leader in innovative conservation methods and alternative energy development. However, the region faces increased risk of peak period interruption of electrical power as reserves of electrical generating capacity are low and growing lower. As a result, a perception exists that California and the Bay Area do not have an assured energy supply to accommodate growth now projected. This is enough to cause concern and examination of alternative investment locations by some private firms. Without prejudging the appropriate mix of conservation and generation, nor specifying the mix of new energy sources, it is apparent that public and private cooperation will be required to assure adequate energy supplies for the region as a vital component of economic development. Efforts for energy conservation and resource recovery methods that have potential and significant savings of

present fuels must be continued. Investor owned utilities, private firms, local governments, and the state regulatory agencies must reach agreement and act.

Policy 8 - Increase transportation and transit access, and encourage clustering of jobs to efficiently utilize the region's transportation system.

A coordinated system of transportation and transit improvements is required to complement and support anticipated industry growth in the Bay region. To alleviate growing congestion problems, reduce strain on energy supplies, and reduce impacts on air quality, regional policies must work to improve transportation and transit access between job centers and surrounding commuter areas. Addition of express lanes for public transit and high occupancy vehicles, development of transit links and feeder systems to serve office and industrial parks and major facilities, and an expansive park and ride system would substantially increase efficiency of the existing transportation network. Expansion of operating fleets, extension of service areas, and addition of express routes can increase capacity and usage of bus and fixed rail systems. The rising cost and limited supply of energy suggest that new job growth should be directed to locations that enjoy good bus and rail access and facilitate use of car and van pools. Development planning should encourage sufficient job concentration to justify the costs of increased transit services. In addition, industry promotion of car pools and van pools and adoption of flextime and shift scheduling where feasible can improve circulation and reduce peak hour congestion.

Policy 9 - Improve allocation, coordination, and targeting of federal, state, and local resources for basic facilities needed to encourage private investment consistent with the region's economic development objectives.

Hundreds of private and public projects involving billions of dollars are proposed and built every year in the Bay Area. Some of these can benefit the whole region's economic development by providing for growth of important industries, stimulating growth in critical areas, or providing linkages among facilities or services in the region. The nationwide movement to reduce taxes and public spending threatens to reduce public programs. There is increased competition for fewer state and federal funds. Therefore, local and regional leaders need to work together with state and federal agencies and with private investors to determine which projects are most needed for the region's economy and whether special support can be directed toward seeking funds, clearing administrative hurdles, or creating steps to approve and implement priority projects.

APPENDIX

ECONOMIC DEVELOPMENT ASSUMPTIONS

The economic development objectives and policies are based on the following set of assumptions concerning the current and potential economic conditions in the region.

The San Francisco Bay Area has a growing, highly diversified economy, serving as a worldwide center for the high technology industry, a financial, administrative, and headquarters center for the western states, and a major entrepot for international trade. The Bay Area faces the complicated challenge of providing a strong foundation for continued economic development while preserving the unique qualities of the region and assisting communities experiencing distress. As we enter the decade of the 1980s, fundamental assumptions which guide the Bay Area's economic development objectives and policies include:

1. The long term projection for the Bay Area is strong economic growth led by several expanding industries.

The San Francisco Bay Area will continue to experience strong economic growth in the 1980s. The region's expanding economy will be paced by growth in economic sectors which are increasing their shares of total national employment. The expanding service sector, rapid growth of high technology industries, increasing trade with Pacific Basin countries, and growth of financial and administrative activities linked to markets both in the Bay Area and in the western states will all contribute strongly to private investment and job creation in the Bay region. Safeguarding the Bay Area's foundation for continuing economic growth requires addressing the vulnerability of expanding industries especially as they are affected by relative housing costs and an adequate energy supply to increased productivity and price and quality competition.

2. Private investment is the driving force behind economic development.

New investment in basic economic sectors creates jobs for residents and generates sales for firms, providing for expanding employment, rising incomes and living standards, expanded tax bases, and a growing economy. Continued investment in existing facilities extends the physical and economic life of past investments, contributes to rising productivity, and ensures that Bay Area firms can remain healthy, competitive contributors to the region's growth. Investment decisions work to guide the development of new growth areas in the region and rebuild and revitalize existing industrial, commercial, and residential areas in Bay Area communities.

3. The quality of life in the Bay Area is a major asset to the region's economy.

The Bay Area's outstanding quality of life will continue as a major factor in the region's desirability as a place for residential and economic growth. Strong concern for environmental quality, provision of recreational facilities, and preservation of open space will continue to shape the region's development choices. Development of the arts, diverse cultural activities, and maintenance of the excellent higher educational system are all contributing elements to the attractiveness of the Bay Area. Public investments and support of programs which maintain these features are vital to sustain the region's strong foundation for economic development.

4. Loss of some traditional Bay Area industries and blue collar jobs will continue.

The Bay Area economy is constantly changing. Many Bay Area industries are experiencing unprecedented expansion, while others which have historically been of great importance are in decline. Older, heavy industrial plants will continue to be retired by some firms, and food processing and shipping will continue a gradual shift out of the Bay Area to areas throughout the Central Valley and to the ports of Sacramento and Stockton. Substantial numbers of Bay Area residents hold blue collar jobs in these industries. As the pattern of industrial growth changes, the work force and mix of required skills will be altered. The region's strongest growth sectors will be in white collar and professional jobs, and the overall trend to a service and skill-intensive economy will continue. This will exacerbate structural unemployment among the Bay Area's lower-skilled, minority, and economically disadvantaged residents.

5. The benefits of economic growth may bypass many communities.

Industrial and commercial development is likely to be concentrated in various growth areas throughout the region and continue to bypass many communities, particularly those in economic distress. Public and private actions can encourage development into areas where new investment can reverse the physical decline of structures and facilities and unemployment which result from a lack of growth. However, without such intervention, market forces will continue to carry the benefits of economic growth to already prosperous communities as well as new undeveloped areas.

6. Structural unemployment and poverty will continue to face a significant number of Bay Area residents.

Growth in jobs has not eliminated high rates of unemployment and poverty in the Bay Area for many minorities, youth, and other economically disadvantaged residents. Pockets of serious unemployment and poverty are found in all of the region's central cities and within some smaller communities as well. The shift to a service and skill intensive economy, which requires more highly educated and trained personnel, will

probably exacerbate structural unemployment. Problems of unemployment in the region are compounded by the decline in industrial jobs, particularly in older industrial areas in proximity to concentrations of blue collar workers. Existing training and transit efforts alone will not be adequate to provide increased access for unemployed workers to jobs in expanding industries in major job centers in the region.

7. More jobs will be needed for a growing resident labor force.

The Bay Area needs economic growth to keep pace with its expanding labor force and provide jobs and incomes for residents. The region's work force will continue to grow faster than its population, as the "baby boom" population of the 1950s enters high work-participation years, and the participation of women in the labor force continues to rise. Increases in the region's resident population and in the rate of new household formation will assume greater significance in shaping the size and composition of the Bay Area's population in the 1980s. The rate of total population growth in the Bay Area will slow somewhat in comparison to the last two decades. In-migration of job-seekers often necessary for economic development will continue, but they will comprise a smaller share of total population and labor force increase in the Bay region.

8. Uncertainty over the Bay Area's future energy supply is inhibiting economic development.

The ability to meet rising energy demand in California will affect the magnitude of future growth in the Bay Area. Uncertainty over the adequacy and reliability of the future supply of energy, in particular maintenance of an adequate reserve margin of electric power, discourages continued growth of energy intensive industries and hastens spin-off of new facilities to locations outside the region. This is especially true for industries such as semiconductor producers for whom interruptions of electric power supplies result in considerable economic loss. Also, future increases in the price and uncertainty over the availability of gasoline will affect commercial, industrial, and residential location patterns. Outlying parcels of land, which are otherwise developable, will be reduced in attractiveness as fuel becomes more scarce and expensive. Investors believe that construction of additional generating facilities, use of more fuel efficient automobiles, increased public transit capacities, and greater responsiveness to energy conservation measures are required to assure adequate energy supplies for the Bay region.

9. The shortage of supply and escalating costs of housing in the Bay Area threaten continued economic development.

The escalating cost of housing in the Bay Area and the shortage of supply serve as inhibitions to continued industrial expansion. The situation has become a serious hindrance to future growth especially within the region's highly concentrated job centers. Concerted efforts are needed to assist market forces to alleviate these problems created by past and current development patterns. To lay a firm foundation for future economic growth, public actions must be taken to encourage

new construction and higher density residential development as well as prepare for new industrial growth in accessible locations within the region.

10. Pressures to develop land in the region will continue in the 1980s.

Urbanization of agricultural and open space lands in the Bay Area will proceed at a sustained pace through the 1980s. While developed land will still comprise a small percentage of the total land over the region, the existing pattern of transportation and distribution along with local government zoning and land use policies combine to limit the amount of land which may be available and desirable for development. Growth of residential and industrial activity places upward pressures on the value of undeveloped land and fuels conversion of prime agricultural and range lands to more intensive urban uses. The impact of growth pressures on the limited availability of desirable residential land will likely be an inefficient sprawling pattern of growth, a reduction of open space, and a compounding of the jobs/housing imbalance.

11. The Bay Area's transportation and goods distribution network will not be significantly enlarged in the 1980s.

The fact that the Bay Area's transportation and distribution network is substantially in place is a constraint to new development in areas outside the existing system. Limited availability of funds will mean that new construction will be primarily devoted to completion of planned linkages, road widening and improvements, and construction of interchanges rather than major additions to the regional highway system. Modest improvements to the region's transit systems are expected, with additions to capacity, some expansion of service areas, and upgrading of equipment. However, unless the present transportation and freight distribution system is made more efficient through capital expenditures, operating improvements, and better public transit management, increased congestion and commute travel times will serve to limit industrial growth within the region.

12. While the range of areas in which there are governmental regulations will remain basically the same, pressures for better benefit analysis and reform of regulatory processes will intensify in the 1980's.

Given the complexity of issues and concerns, the range of governmental regulation in the environment, health and safety, transportation, land use, and other areas will not decrease significantly in the 1980's. However, there is increased awareness of the social and economic consequences, both beneficial and detrimental, associated with regulation, and of the tradeoffs between attainment of environmental standards and the need for economic growth. The costs and benefits associated with specific areas of regulation will receive increasing attention. In addition, the importance of reducing inefficiency, uncertainty and delay in the review and approval process has been recognized by government, labor and industry leaders in the Bay Area. Consensus has been built on the importance of developing a more

understandable and predictable review and approval system governing environmental and land use questions. As a result, the efficiency of the regulatory process is expected to improve over the next decade.

13. Provision of public facilities and services will continue as a necessary component of economic development.

Local governments in the Bay Area have a vast stake and substantial investment in the growth and development of the region's economy, as it provides the employment, income, and fiscal base of the Bay Area communities. Through provision of an adequate transportation system, water and sewage facilities, utility connections, and needed services, the public sector will continue to play a primary role in supporting the region's economic development. While public investments cannot, by themselves, create private investments, markets, or jobs, they will continue to structure the physical framework in which private development decisions are made. In order to attract, expand, or retain industry, urban and built-up communities in the Bay Area must maintain and improve existing facilities to support reinvestment and infill development. Developing communities in the region will need to open up new areas for development through provision of new facilities and extension of urban service areas.

14. Zoning, regulations, and permit processes will continue to provide mechanisms for public review over the scope and timing of new development.

Zoning ordinances, environmental regulations, and permit review processes provide mechanisms to assure that public interests are reflected in private development choices. Zoning ordinances which embody local land use policies reflect the fact that not all communities and neighborhoods seek the same objectives from economic development. Environmental regulations require identification and mitigation of impacts of proposed developments. Local permit review processes provide for public review to balance economic development objectives with concerns for neighborhood and environmental quality. These processes will continue to play an important role in guiding development within Bay Area communities. At the same time, increasing complexity, uncertainty, and delay associated with overlapping procedures administered by a battery of separate agencies have certain effects, both intended and unintended, on the composition, magnitude, and timing of new development.

15. Local governments will be more selective in approving development projects in the 1980s.

As a result of changing local fiscal base and concerns for neighborhood and environmental quality, local governments will become increasingly selective in approving proposed developments. Many communities are less interested in job generation or expansion per se; they seek investment in clean, image-enhancing activities that will strengthen the local fiscal base and contribute a net increase in city revenues. Competition among Bay Area communities will increasingly be oriented toward

attracting the most desirable forms of development, which in effect places responsibility for other needed types of development on surrounding jurisdictions. A primary example is the fostering of commercial development for sales tax reasons, while shifting the burden for accommodating residential growth onto other communities.

16. Tighter revenue and spending constraints on local governments will require additional financing techniques to support economic development.

Bay Area governments, school districts, and special jurisdictions will continue to face constraints on revenues in the 1980s while pressures on expenditures will not significantly abate. As a result of these pressures, the region can expect continuation of the search for additional revenue sources, the trend to higher development fees for new construction, and increased competition for sources of federal and state assistance. Ability to finance long-term capital investments required for economic growth will fluctuate with trends in the money and bond markets. Public finance of supporting facilities for economic development will be more carefully weighed against expected revenues from proposed developments. Growing interest is expected in joint industry/local government funding facilities needed to support new development. Without additional revenues and innovative financing techniques, new growth will be severely constrained.

17. Major challenges facing the Bay Area will require intergovernmental cooperation.

Solutions to challenges facing the region's economy require coordination among Bay Area cities, counties, and special districts. Major public facilities which support economic development must be planned and constructed on an interjurisdictional basis. Mitigation of the effects from the residential or industrial growth patterns of neighboring communities requires mutual cooperation and reinforcing actions on the part of various governmental jurisdictions. Local efforts alone will be unable to redress the region's housing and transportation constraints, persistent unemployment, and areas of economic distress.

18. In order to address problems within the region's economy, public incentives and intervention are necessary to influence and guide private decisions.

While the private sector is the primary engine of growth, private investment decisions leave many problems unresolved. Public sector incentives and intervention are necessary to direct resources to aid communities and individuals left behind in the development process. Market forces alone cannot solve persistent unemployment, the shortage of affordable housing, and the economic distress in various communities. Coordinated use of public investments, state and federal assistance monies, and special financing mechanisms can be used to structure incentives which encourage and influence private investment decisions to address these problems.

19. Cooperation between the public and private sectors can help resolve many of the problems facing the region which now constrain future development.

Too often conflicts over development policy between the public and private sectors prove counterproductive. They have led to increasing uncertainty and the misallocation of resources. Greater understanding of the complex pressures, needs, and roles must be shared by each sector in order to establish an atmosphere of cooperation. This needed cooperation, obviously, requires flexibility on both sides. The private sector must recognize the broader social and economic implications of new development and accept the public sector's responsibility to intervene. The public sector must understand the primacy of the private market in determining investment decisions and be sympathetic to industry's need for certainty and speed when making regulatory rules and decisions. The magnitude of change and new development in the years ahead will also necessitate greater cooperation. For example, increasing interest is expected to be shown in joint ventures which bring together public policies and private capital to build the basic facilities required for economic growth. New cooperative arrangements such as these will be created by the public and private sectors in addressing the economic development issues of the decade ahead.

Summary

The Bay Area's growing and diversified economy faces the complicated challenge of managing strong growth forces to address emerging constraints on development and to assist all communities and individuals to share in the benefits of the region's growth. ABAG seeks to address these issues through the objectives and policies of the economic development chapter of the Regional Plan. This plan is based on sound analysis and an understanding of the common strengths and problems facing the Bay Area. This appendix expresses that understanding and the assumptions upon which the plan is based.

